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**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
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LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

September 19, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe  
Auditor-Controller

John F. Krattli  
County Counsel

SUBJECT: **EXTENSION OF THE DUE DATE FOR THE DEPARTMENT OF PUBLIC  
HEALTH DRUG MEDI-CAL PROGRAM REVIEW (Board Agenda Item  
5, August 13, 2013)**

On August 13, 2013, your Board instructed the Auditor-Controller (A-C) to complete a program audit of the Drug Medi-Cal (DMC) program, including a review of the recommendations for program improvement that the Department of Public Health (DPH) outlined in its July 26, 2013 memo to the Board. The Board also instructed the A-C to include in its program audit, recommendations that would improve the program integrity of all alcohol and drug programs administered by DPH.

In addition, your Board instructed County Counsel (Counsel) and the A-C to report back in 30 days with:

1. An analysis of the County's legal obligations to contract with, and provide oversight for, local DMC providers, including an analysis of the services provided and the source of the obligation, if any, to provide those services; and
2. A determination of the County's legal authority to audit and terminate contracts with local DMC providers, including an analysis of the State's obligation in these regard and a discussion of how that obligation intersects or conflicts with the County efforts.

The A-C has completed its review of the DMC program within Los Angeles County and has prepared a preliminary draft report. In addition, Counsel has completed its initial analysis of the County's legal obligations and authority to audit the DMC service providers, and the State's obligations in these regards.

We are currently planning to meet with representatives from the State and DPH to discuss the results of the program review and the County's legal obligations. We anticipate issuing our report to your Board by October 11, 2013.

Please call us if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301 regarding the DMC program review or Sharon Reichman at (213) 974-1866 regarding the County's DMC program legal obligations.

WLW:JFK:AB:DC

c: William T Fujioka, Chief Executive Officer  
Sachi A. Hamai, Executive Officer, Board of Supervisors  
Jonathan E. Fielding, M.D., M.P.H., Director Department of Public Health  
Public Information Office  
Audit Committee



County of Los Angeles  
**CHIEF EXECUTIVE OFFICE**

Kenneth Hahn Hall of Administration  
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**WILLIAM T FUJIOKA**  
Chief Executive Officer

September 17, 2013

To: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

From: William T Fujioka  
Chief Executive Officer

Board of Supervisors  
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MARK RIDLEY-THOMAS  
Second District

ZEV YAROSLAVSKY  
Third District

DON KNABE  
Fourth District

MICHAEL D. ANTONOVICH  
Fifth District

**RESPONSE TO THE AUGUST 13, 2013, DRUG/MEDI-CAL MOTION**

This is in response to your Board's motion on August 13, 2013, regarding the audit and investigation of the Drug/Medi-Cal (DMC) program. The motion required responses from multiple County departments, including our office, as well as Public Health, Auditor-Controller, and County Counsel. Responses from the other Departments will be reported under separate cover.

The motion instructed our office and County Counsel to work with the Departments of Children and Family Services, Public Health, Probation (juvenile and adult) and criminal court leadership (juvenile and adult) to develop and report back in 30 days on a plan that ensures parents of children in dependency cases, and youth and adults on parole and probation, are not referred to suspended providers. Further, the report back should include a determination whether sufficient alcohol and drug providers in good standing currently remain available, will remain available during health reform implementation and, if not, recommend steps to improve access.

To date, the Department of Public Health (DPH) has provided an updated list of active DMC providers multiple times. The list has been provided to the Probation Department and the Department of Children and Family Services, as well as to the County's 211 operation and DPH's contracted community service assessment centers. The updated information is also available on DPH's website, and notices have been posted at closed provider sites with referral information to the website and the Department's call-in number.

*"To Enrich Lives Through Effective And Caring Service"*

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Each Supervisor  
September 17, 2013  
Page 2

Although the suspensions have reduced the County's DMC provider network by approximately one-third, DPH reports that no eligible DMC participant has reported to DPH, or the referring agency, that services were not available nor has any eligible participant been placed on a waiting list.

DPH anticipates that under the upcoming health care reform, new enrollees will not likely immediately seek services, thereby allowing for a gradual ramp up. DPH has taken proactive steps to expand the DMC provider network by reaching out to all of its non-DMC treatment providers to survey those interested in becoming DMC providers. DPH will return to your Board for authority to execute any contract amendments for those providers who successfully certify with the State as new DMC providers.

Finally, we would note that DPH is working directly with the State to review and strengthen the State's DMC certification criteria to ensure only qualified providers are eligible to participate in the DMC program.

If you have any questions, please contact Greg Polk at (213) 974-1160 or [gpolk@ceo.lacounty.gov](mailto:gpolk@ceo.lacounty.gov).

WTF:GP  
MLM:TOF:bjs

c: Executive Office, Board of Supervisors  
County Counsel  
Auditor-Controller  
Children and Family Services  
Probation  
Public Health

091713\_HMHS\_MBS\_DMC Suspended Providers



**JONATHAN E. FIELDING, M.D., M.P.H.**  
Director and Health Officer

**CYNTHIA A. HARDING, M.P.H.**  
Chief Deputy Director

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Fourth District

**Michael D. Antonovich**  
Fifth District

September 18, 2013

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H.  
Director and Health Officer

SUBJECT: **INTERIM RESPONSE TO BOARD MOTION REGARDING DRUG  
MEDI-CAL SERVICES**

On July 26, 2013, the Los Angeles County (LAC) Department of Public Health (DPH) notified the Board about the CNN/Center for Investigative Reporting (CIR) series entitled "Rehab Racket," which detailed alleged fraudulent practices of a number of Drug Medi-Cal (DMC) providers in LAC. DPH informed the Board about longstanding concerns regarding the structure and operation of the State DMC program, described actions it had undertaken to minimize the County's financial risk, and provided recommendations to improve the program function and monitoring.

On August 13, 2013, in a motion by Supervisor Zev Yaroslavsky, with amendment by Supervisor Mark Ridley-Thomas, the Board instructed DPH to take the following actions related to the DMC program:

- Develop a protocol for determining the severity of provider deficiencies found during audits and ensure that significant deficiencies are shared with the Chief Executive Officer (CEO) and the Board;
- Work with County Counsel on a plan to avoid and mitigate harmful disruptions in care; and
- Work with the CEO to provide a status report on efforts to re-solicit contracts.

This interim status report includes a response to these actions and additional steps that DPH has taken to improve the DMC program. DPH continues to collaborate with the Auditor-Controller, County Counsel, and the CEO on a more comprehensive report that will be provided in response to your Board motion.

Background on Drug Medi-Cal

The DMC program was established in 1979 to provide medically necessary drug rehabilitation services to welfare recipients and other qualified low-income persons, primarily families with children, pregnant women, people under 21, and the aged, blind, or disabled. It is one of the major sources of funding for substance use disorder (SUD) treatment in LAC.

The DPH Substance Abuse Prevention and Control Program (SAPC) serves as the State subcontractor to implement the DMC program in LAC and receives administrative funds for oversight. These responsibilities are shared with the State Department of Health Care Services (DHCS), the designated "single State agency" for the Medi-Cal program.

#### DPH Actions

Steps being taken to improve the DMC program include:

- 1) **Increased Collaboration with DHCS** - SAPC has begun to collaborate more closely with the State DHCS to improve the DMC program and protect the County from fiscal losses:
  - a) **Provider Audits** – SAPC and DHCS staff have already initiated closer collaboration, with joint audit teams and participation in state fraud investigations. A significant number of providers have already been suspended.
  - b) **Certification of Providers** – The State currently has sole authority to certify providers in California. The County Alcohol and Drug Program Administrators Association of California (CADPAAC) has recommended that the State consider delegating the authority to counties for certification of DMC providers, though this may require a Federal Medicaid waiver. SAPC has sent a letter to the State DHCS requesting the authority to certify DMC programs in LAC.
- 2) **Increased DPH Leadership Involvement** – DPH leadership is assessing and reviewing SAPC processes to identify opportunities for management improvement. DPH's Audit and Investigation staff has been tasked to recommend actions to better integrate best practices from other DPH programs and other sources.
- 3) **Re-Examination of Auditing Team Capacity** – SAPC has not previously incorporated medical personnel or investigators with fraud-related experience in its auditing teams. Consequently, SAPC plans to add medical personnel to assess medical necessity. In the meantime, DPH is intensifying efforts to fill current vacancies in program auditing staffing. SAPC will continue to rely on State DHCS for leadership in fraud investigations.
- 4) **Development of SAPC Reorganization** – DPH is developing a reorganization proposal for the CEO that will incorporate expanded professional personnel with applicable medical and programmatic expertise for enhanced auditing capacity.
- 5) **Development of Severity Index** – SAPC is developing a severity index tool which will identify the levels of deficiency that will be linked to specific disciplinary measures and require notification to DPH Executive Management, the CEO and the Board Offices.
- 6) **Provider Training** – SAPC continues to emphasize outcomes, evidence-based services, and promising practices in provider training as it seeks to expand provider capacity for health care reform. New providers will be offered orientation training and all providers will receive training that clarifies program expectations, reporting requirements, contract auditing processes and the severity index tool.

- 7) **Solicitation of SUD Contract Services** – Since 2009, SAPC released one Rate Study, three Requests for Proposals (RFPs) and one Request for Statements of Qualifications (RFSQ) for other SUD programs. Competitive bidding for all major additional types of SUD services are planned with the exception to date of DMC. However, DPH is strongly in favor of having a limited number of providers for DMC selected through competitive bidding. To date, no California County has competitively bid DMC services. DPH is discussing with DHCS and County Counsel whether DPH can be permitted to implement such a limited DMC provider network. See attached for a listing of SAPC provider solicitations completed and projected.

#### Mitigating Patient Impacts

SAPC utilizes the following standard procedures to avoid or minimize disruption of service for patients:

- 1) **Patient Referral** – Program auditors post signs in English and Spanish at all closed provider locations, listing telephone numbers patients can call for referral assistance. Additionally, SAPC's website (<http://publichealth.lacounty.gov/sapc/findtreatment.htm>) provides listings of active DMC providers. SAPC also uses social media, the SAPC hotline, the 211 LA County information line, and the Community Assessment Service Centers (CASC) to inform patients who need referral assistance. DPH has no information suggesting that there are waiting lists to enroll in programs at operating DMC providers.
- 2) **Patient Files** – Within 24 hours of program closure, SAPC program auditors attempt to contact the provider to schedule a time to obtain patient files for auditing and to provide patients with their files upon request.
- 3) **Youth and Adults on Parole/Probation** – SAPC estimates that approximately 400 patients affected by the suspensions were involved in programs as a result of court supervised drug diversion or as a condition of parole or probation, having self-referred to a DMC provider.

SAPC provided the Department of Children and Family Services (DCFS), the Probation Department (Probation), the CASCs, and the 211 LA County information line a list of active SAPC providers, including DMC agencies. SAPC will continue to update these departments and agencies. None of the providers in the provider networks associated with the collaborative projects with DCFS and Probation have had actions taken against them.

As indicated above, a comprehensive report is being developed in consultation with the Auditor-Controller, County Counsel, and the CEO. If you have any questions or need additional information, please let me know.

JEF:jv  
PH:1308:002

Attachment

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor Controller  
Department of Children and Family Services  
Probation

## ATTACHMENT

### SAPC Actions to Competitively Solicit Contracts for SUD Services

Date	Activity	Status and Impact
August 2011	Adult Outpatient and Residential Substance Abuse Services Rate Study.	Complete. The Rate Study helped SAPC improve contractor accountability through the implementation of standard rates, standards of care, an automated billing and patient tracking system, and a performance-based contracting system.
October 2011	California Work Opportunities and Responsibility to Kids (CalWORKs) Substance Abuse Treatment Program	Complete. Solicitation process was completed and 11 contracts were awarded. Services provided to CalWORKs participants included: outpatient counseling; day care habilitative; residential medical detoxification; and residential treatment.
January 2012	Alcohol and Other Drug Prevention Services	Complete. Solicitation process was completed and awarded 44 contracts for Comprehensive Prevention Services (CPS) and Environmental Prevention Services (EPS).
January 2013	Community Centered Emergency Room Project (formerly known as the Community Transformation Project or CTP)	Complete. Solicitation process was completed and one contract awarded. This project was to solicit provision of community-based prevention services for the homeless population with co-occurring mental health and SUD who frequently used Emergency Department services at LAC+USC Medical Center.
October 2013	RFSQ for Master Agreement for SUD services including outpatient counseling services, day care habilitative services, outpatient narcotic treatment program services, alcohol and drug free living centers, residential treatment services, medication assisted treatment services, and residential detoxification services	In progress. SAPC is currently reviewing proposals and anticipates notifying the Board of results in October 2013. The Master Agreement list will allow us to solicit competitive contracts in a much reduced time period (2-3 months as opposed to 1 year).

Date	Activity	Status and Impact
March 2014	Work Order for AB 109 Program Services	Planned. Will be issued once the Master Agreement list is approved, estimated by October 2013.
August 2014	Work Order for Probation Camp Services	Planned. This Work Order will result in contracts for the provision of SUD treatment services for in-custody youth at select Probation camps in the County.
February 2015	RFP for Prevention's Special Populations	Planned. This RFP will target high-risk and underserved communities in the County, such as the homeless, lesbian/gay/bisexual/transgender, and recent immigrant populations.
November 2015	RFP for General Relief Services	Planned. This RFP will result in contracts for the provision of adult treatment and recovery services for eligible persons throughout the County.
January 2016	RFP for General Programs Treatment Services	Planned. This RFP will focus on block grant funded programs that can provide a safety net for individuals who may not be eligible for any specialty program, such as General Relief, AB 109, etc.
April 2016	RFP for Children and Family Treatment Services	Planned. This RFP will result in contracts for the provision of treatment and recovery services for individuals who need SUD services as part of their family reunification plan. These individuals may have one or more children removed from their custody due to substance abuse.
July 2016	RFP for Family Dependency Drug Court Treatment Services	Planned. This RFP will result in contracts to provide judicial oversight for individuals needing SUD treatment services. Participation and successful completion of the program by a participant may result in family reunification with children.

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**JONATHAN E. FIELDING, M.D., M.P.H.**  
Director and Health Officer

**CYNTHIA A. HARDING, M.P.H.**  
Chief Deputy Director

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Fifth District

October 11, 2013

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H.  
Director and Health Officer

SUBJECT: **DEPARTMENT OF PUBLIC HEALTH RESPONSE TO THE AUGUST 13, 2013  
BOARD MOTION REGARDING DRUG MEDI-CAL SERVICES**

On September 18, 2013, the Department of Public Health (DPH) provided an interim response to your Board's August 13, 2013 motion related to Drug Medi-Cal (DMC) services. The interim response summarized the steps that DPH has already taken to improve the DMC program. We also informed you that DPH was collaborating with the Auditor-Controller, County Counsel, and the Chief Executive Office (CEO) on a more comprehensive report in response to the Board motion.

Your Board instructed DPH to:

- Work with the CEO to provide a status report on efforts to re-solicit contracts.
- Develop a protocol for determining the severity of provider deficiencies found during audits and ensure that significant deficiencies are shared with the CEO and the Board; and
- Work with County Counsel on a plan to avoid and mitigate harmful disruptions in care with the report to include estimates of the number of patients affected at each suspended site Countywide, description of the services these patients were receiving, description of the notification about alternative places where they may receive treatment services for substance use disorder, and how they can obtain copies of their written records.

Efforts to Re-solicit Contracts

In its September 18, 2013 interim response, DPH provided your Board a listing of DPH-Substance Abuse Prevention and Control (SAPC) completed and projected provider solicitations, as follows:

- 2011: Two solicitations (Rate Study and California Work Opportunities and Responsibility to Kids, or CalWORKs)
- 2012: One solicitation (Prevention Services)
- 2013: Two solicitations (Community Centered Emergency Room Project and Master Agreement for Substance Use Disorder Services)
- 2014: Two planned Work Order solicitations (AB 109 Program Services and Probation Camp Services)
- 2015: Two planned solicitations (Prevention Special Populations and General Relief Services)
- 2016: Three planned solicitations (General Programs Treatment Services, Children and Family Treatment Services, and Family Dependency Drug Court Treatment Services)

SAPC will complete planned re-solicitations of all contracted Substance Use Disorder (SUD) services by the end of Fiscal Year 2016-17.

#### Protocol for Determining Severity of Provider Deficiencies

SAPC DMC program monitors conduct unannounced on-site visits to assure providers' compliance with County contract requirements and State laws, specifically Title 9 and Title 22 of the California Code of Regulations. Program monitors evaluate service delivery and administration through the use of monitoring tools for DMC services, and any deficiencies in compliance are identified through the course of the program monitoring.

The types and frequency of the unannounced program monitoring is described below:

Type of Program Monitoring	Description	Frequency
Early Watch	Program monitors conduct an initial site visit within 30 days of contract execution to ensure that providers are aware of DMC program requirements. It is used by SAPC to provide technical assistance and introduce the provider to its assigned program monitor. Deficiencies or denial of claims are not recorded during these visits.	Once; within 30 days of contracting.
Periodic monitoring	It is the primary method the program monitor uses to evaluate whether the provider is complying with County contract and federal and State regulations.	Goal: Once every fiscal year. Monitoring capacity has precluded reaching this goal for all providers each year. DPH is working to augment its monitoring capacity.
Augmentation visit	Augmentation visits are unannounced visits conducted when a provider requests a funding increase, and no on-site visit has been conducted within the prior six months, or when it is not clear that corrective actions required from prior reviews have been implemented.	When service provider requests funding increase



Complaint Follow-up	These are conducted when SAPC receives complaints. Depending on the nature of the complaint, the report and SAPC findings are forwarded to the State to investigate as they have trained investigators and other staff to do in-depth reviews	As needed
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Attachment 1 is a flow chart of the contract monitoring process resulting in suspension, termination, and notification to Board offices, CEO, County Counsel and DPH Executive Management.

On October 1, 2013, SAPC program monitors began field testing a preliminary Severity Index Tool (SIT-Attachment 2) designed to assess the severity of certain types of deficiencies, including administrative/facility and documentation. The tool will be completed during routine program monitoring. Points for each deficiency will be assigned based on the potential risk to the patient, likelihood of fraud, or significant management deficiencies. Depending on the total deficiency score, SAPC will take any of the following actions: 1) require the contractor to address the issue in a corrective action plan; 2) suspend payment until the issues are resolved; 3) suspend the contract; or 4) terminate the contract.

Based on a three-month field test, the SIT will be revised and finalized for implementation during the second quarter of 2014. Refinement of this tool will take into account experience with tools utilized by the State Department of Health Care Services, other jurisdictions and other County offices to assess the severity of deficiencies in contract monitoring. Field testing of the severity index will help in determining when notification of deficiencies needs to go beyond SAPC management to DPH Executive Management, the CEO, and to Board Offices.

SAPC is also planning to implement an integrated web-based system that includes contract, patient, reimbursement, and program monitoring information by July 1, 2014. The program monitoring component will provide a tool for writing, submitting, and tracking corrective action plans for monitoring reports, and the SIT will be incorporated into this integrated web-based application.

Lastly, SAPC is reviewing the role and cost of adding medical personnel as part of the program monitoring team. SAPC will evaluate how best to utilize these medical personnel as part of the monitoring team and how to cover the costs for these additional personnel.

#### Plan to Avoid and Mitigate Harmful Disruptions in Care

##### *Estimates on the Number of Affected Patients Countywide*

An estimate on the number of patients affected at each suspended site Countywide, including a description of the services these patients were receiving, will be provided to your Board by County Counsel. Approximately 5,890 patients are affected. Of these, approximately 480 were referred to treatment because of criminal justice involvement.

#### *Notification Of Alternative SUD Treatment Service Sites*

When a provider closes or ceases operation, SAPC implements the following established procedures to avoid or minimize disruption of service for patients:

- Within 24 hours of program closure, SAPC program monitors try to contact the provider and schedule a time to obtain patient files and assist in referring patients to alternative treatment providers.
- Program monitors post signs in English and Spanish at all closed provider locations, listing telephone numbers patients can call to get assistance transferring to another provider. It is important to note that some of the providers receive funding from multiple sources. Consequently, even though they are no longer serving DMC patients, they may remain open and remove the signs posted by SAPC staff.
- SAPC's website (<http://publichealth.lacounty.gov/sapc/findtreatment.htm>) provides listings of active DMC providers. SAPC also releases public service announcements via Facebook to assist patients who need referrals to other providers by directing them to call the SAPC hotline, the 211 LA County information line, or the nearest Community Assessment Service Center (CASC). Patients who call the 211 LAC information line receive information on active DMC providers. At the CASC, patients get a brief assessment and referral to an appropriate treatment provider. To date, only one provider has expressed interest in increasing their capacity to serve patients who have been displaced as a result of suspensions and there are no wait times at the remaining operating DMC providers.

#### *Patient Access to Treatment Records*

When a provider voluntarily terminates its DMC contract, SAPC arranges to immediately remove and store patient records. Patients may obtain copies of their records by submitting a written request to SAPC. Within seven days of receiving written requests, SAPC will allow patients or their representatives to inspect or copy their treatment records.

Obtaining patient records is more difficult when a provider ceases operations without advance notification, or when the provider is suspended and under State investigation. When a provider closes without warning, SAPC staff members go to the provider site(s) to locate patient records immediately. If patient records are at the site, SAPC removes and stores them. On occasion, SAPC has been unable to acquire patient records because the provider closed without notice. In these cases, SAPC uses its Web-based patient information system to generate available patient-level data. When a DMC provider is suspended and under State investigation, the State Departments of Health Care Services or Justice may confiscate the files, and if SAPC or patients need access to those records, SAPC submits a request to the State.

#### Auditor-Controller and County Counsel Findings and Recommendations

In your August 13, 2013 motion, you also instructed the Auditor-Controller and County Counsel as follows:

County Counsel and the Auditor-Controller:

- Provide an analysis of the County's legal obligations and authority for contracting, auditing, terminating, and providing oversight for DMC providers.

Auditor-Controller:

- Complete a program audit of the DMC program and review the recommendations for program improvement that DPH outlined in its July 26, 2013 memo to the Board; and
- Provide recommendations that would improve the program integrity of all alcohol and drug programs administered by the DPH, not just the DMC program.

DPH will work with the Auditor-Controller, County Counsel, and the CEO to review and implement their recommendations that would improve the program integrity of all SUD services administered by this Department.

Provider Certification

DPH has recommended that the State's certification process for DMC providers be strengthened, and continues to hold discussions with the State regarding ways to achieve improvements. County Counsel's report on the DMC program discusses the option of the State delegating authority to the County to certify DMC providers locally.

This type of authority has previously been delegated by the State, through a federal waiver, to the Department of Mental Health (DMH) to certify providers to provide services in the County's Short-Doyle Medi-Cal mental health program. DPH has had discussions with DMH about the option of obtaining the department's assistance in certifying providers in the County to provide DMC services until the State is able to obtain a waiver that would permit the County to do selective contracting. Local control over certification will assist in gaining control of the DMC provider network to ensure improvement in the quality of service and fiscal accountability.

DPH will return to your Board with a plan that includes time lines for implementation of the above recommendations.

If you have any questions or need additional information, please let me know.

JEF:dhd

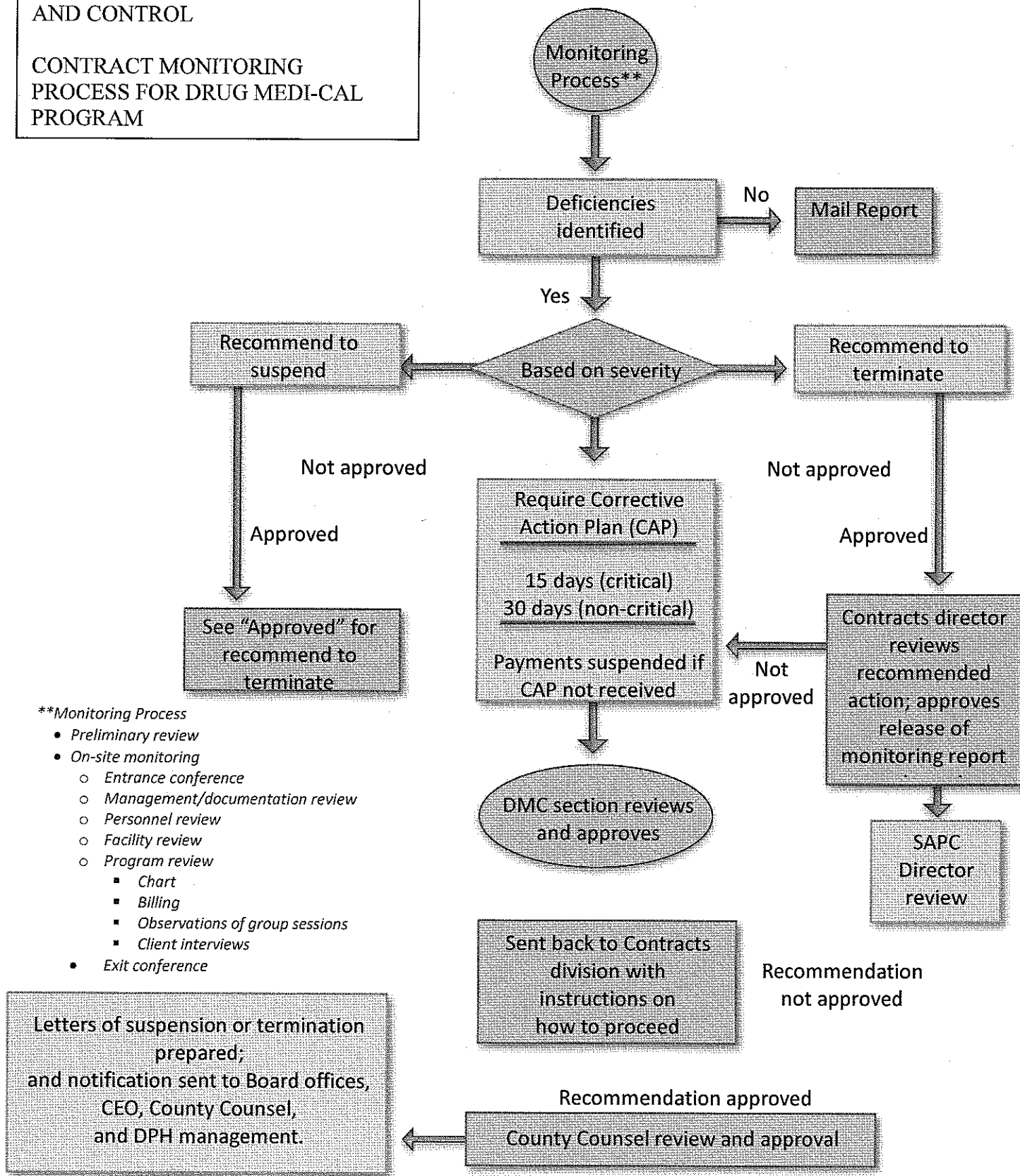
Attachments

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors  
Auditor-Controller  
Department of Mental Health  
Department of Children and Family Services  
Probation

DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION  
AND CONTROL

CONTRACT MONITORING  
PROCESS FOR DRUG MEDICAL  
PROGRAM

Attachment 1



**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:** Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

		<b><u>SCORE</u></b>	<b><u>AGENCY SCORES</u></b>
<b><u>Reference</u></b>	<b><u>Administrative</u></b>		<b><u>Administrative Review Scores</u></b>
Additional Provisions Paragraph 4.B.	DMC certificate terminated	<b>Termination</b>	
Additional Provisions Paragraph 19	DMC certificate suspended	<b>Suspension</b>	
Additional Provisions Paragraph 4.B.	Failure to report to the proper authorities allegations of child molestation within the time required by law.	<b>Termination</b>	
Additional Provisions Paragraph 4.B.	Services being conducted at uncertified site	<b>10</b>	
Additional Provisions Paragraph 4.B.	Services being conducted at site not in contract	<b>10</b>	
Additional Provisions, Paragraph 19	Corporate Status terminated	<b>5</b>	
Additional Provisions, Paragraph 19	Corporate Status suspended	<b>5</b>	
Contract Exhibit, Paragraph 3	Agency not opened during posted hours	<b>5</b>	
Contract Paragraph 8 & 9	Provider required Insurance is expired or has inadequate coverage	<b>5</b>	
Additional Provisions Paragraph 14.H	Agency has not attended DMC trainings (5 pts per missed training)	<b>5</b>	
<b>ADMINISTRATIVE REVIEW TOTAL:</b>			
<b>NOTES:</b>			

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:** Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

<b><u>Reference</u></b>		<b><u>Personnel</u></b>	<b><u>Personnel Review Scores</u></b>
STAFF NAMES:			Total Files Reviewed:
Additional Provisions Paragraph 4.B.	No DOJ and FBI clearances for counselors who provide services to youth	15	
Additional Provisions Paragraph 4.C	Substantiated sexual misconduct/harassment towards clients/staff	15	
Additional Provisions Paragraph 5 & 6	Substantiated discrimination towards clients/staff	15	
Additional Provisions Paragraph 14.C(4)	Staff timesheets are missing, incomplete or do not reflect actual time worked	15	
Title 9, Division 4, Chapter 8, Subchapter 2, Section 13010	Counselor certification/registration expired or non-existent	10	
Additional Provisions Paragraph 8	Missing, Incomplete or non-existent personnel files	5	
STAFFING TOTAL:			
<b>NOTES:</b>			

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:** Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

<b><u>Reference</u></b>	<b><u>Client File Review</u></b>	<b><u>Client File Review Scores</u></b>
<b>CHART NUMBERS:</b>		<b>Total Charts Reviewed:</b>
Exhibit Paragraph 9.D, June 3, 2010 Memo, Title 22 Sec. 51341.1(h)(2)(A)(ii)(b)	Pre-dated, pre-generated or back-dated treatment plans, progress notes, or admission documentations	<b>25</b>
Exhibit Paragraph 9.D, June 3, 2010 Memo, Title 22 Sec. 51341.1(h)(2)(A)(ii)(b)	Pre-dated and/or pre-signed (by client) group sign-in sheets	<b>25</b>
Title 22 Sec. 51341.1(h)(3)	Documentation for Individual sessions do not meet the DMC criteria	<b>15</b>
Title 22 Sec. 51341.1(h)(3)(A)(i)	Incomplete or missing attendance records to support counseling sessions (i.e., sign-in sheets)	<b>10</b>
Title 22 Sec. 51341.1(h)(3)(A)(i), Exhibit, Paragraph 5	Services billed without sign in sheets to verify services	<b>10</b>
Exhibit Paragraph 7, 8.A, 9 & Title 22 Sec. 51341.1(h)(1)(A)(ii)	No or inadequate admission documents	<b>5</b>

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:**

Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

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Contract Terminated

Title 22 Sec. 51341.1(h)(3)(A)(i), Exhibit, Paragraph 5	Groups are not within minimum/maximum participant requirements	5	
Exhibit Paragraph 12	LACPRS admission and discharge data entered into database accurately and no later than the last day of the reporting month	5	
Title 22 Sec. 51341.1(h)(3)(A)(i), Exhibit, Paragraph 5	Incomplete progress notes	5	
Title 22 Sec. 51341.1(h)(3)(A)(i), Exhibit, Paragraph 5	Incomplete sign-in sheets	5	
Title 22 Sec. 51341.1(h)(2)(A)(iii)(a)	Late treatment plan updates	5	
Title 22, Section(h)(5)(i)(ii)(D):	Late, early or missing six- month or annual extension justifications for continued treatment	5	
CLIENT FILE REVIEW TOTAL:			
<b>NOTES:</b>			



**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:**

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**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

<u>Reference</u>	<u>Medical Personnel Review</u>	<u>Medical Personnel Review Scores</u>
Medical Director Name:		
Medical License Number:		
Title 22 Sec. 51341.1(h)(1)(A)(iii)(b)	No medical history documented in intake	15
Title 22 Sec. 51341.1(h)(1)(A)(iii)(b)	No physical exam/medical waiver or elements missing that would enable the Medical Director to establish medical necessity for treatment	15
Exhibit Paragraph 7, 8.A & Title 22 Sec. 51341.1(h)(1)(A)(ii)	No history of substance use/abuse documented in intake	15
Exhibit Paragraph 9, Sec.	Medical director (MD)/physician's signature and date stamp used but not endorsed by MD/physician through original signature or initials	15
Exhibit Paragraph 9.Y	No clearance from mental health physician for those with co-occurring disorder, to verify that patient will benefit from participation in substance use treatment.	15
Contract Exhibit Paragraph 9	MD/physician's license has expired.	15
Exhibit Paragraph 9.C	No medical director signature and date on treatment plan	10
<b>MEDICAL PERSONNEL REVIEW:</b>		
<b>NOTES:</b>		

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:**

Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

<b><u>Reference</u></b>	<b><u>Performance Review</u></b>		<b><u>Performance Review Scores</u></b>
Additional Provisions Paragraph 14.H	Agency has been cited for same deficiency for last 3 consecutive years	<b>25</b>	
Additional Provisions Paragraph 14.H	Agency has been cited in previous audits for same deficiencies	<b>15</b>	
Contract Agreement, Paragraph 10	Failure to comply with other Government entities regulations (School MOU's, Minor Consent, etc.)	<b>10</b>	
Contract Agreement, Paragraph 10	Agency has been cited for same deficiencies by State Analysts.	<b>10</b>	
Title 9, Section 10581 [a]	Facility does not meet HIPPA/Confidentiality requirements	<b>10</b>	
Contract Exhibit, Paragraph 9	No scheduled groups were conducted during entire duration of audit	<b>5</b>	
Contract Exhibit, Paragraph 9	No clients were made available for interviews during duration of audit	<b>5</b>	

**COUNTY OF LOS ANGELES - DEPARTMENT OF PUBLIC HEALTH  
SUBSTANCE ABUSE PREVENTION AND CONTROL  
CONTRACT SERVICES DIVISION  
SEVERITY INDEX**

Agency Name:

FY:

CPA Name:

Date:

**INSTRUCTIONS:**

Based on review of documents place a value on the level of severity in the agency score column. Add the total value for each review section. Once all sections have been reviewed, add each section's total for a grand total. SAPC response will be based on grand total.

**Agency Score**

69 and below

70 - 79

80 - 99

100+

**Action to be taken**

Provider must address issue in CAP

Payment suspended until issue resolved

Contract Suspended

Contract Terminated

Additional Provisions Paragraph 14	CPA is able to gather information during activity observations and client interviews that suggest questionable business practices	5	
Additional Provisions Paragraph 14	Through the course of conducting audit CPA encounters information that suggest questionable practices	5	
Title 9, Section 10581 [a]	Facility is not clean, safe, sanitary and in good repair for the safety and well being of residents, employees and visitors.	5	
Additional Provisions Paragraph 14.H	Agency has not complied with SAPC requests to respond to emails, questionnaires, surveys, or other SAPC directives	5	
Additional Provisions Paragraph 14.H	Agency has not been forthcoming in providing CPA documentation in a timely manner while conducting audit	5	
<b>PERFORMANCE REVIEW TOTAL:</b>			
<b>NOTES:</b>			
<b>AGENCY SCORE TOTAL:</b>			
<b>SAPC ACTION TO BE TAKEN:</b>			



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

October 11, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*  
Auditor-Controller  
*John F. Kratt*  
John F. Kratt  
County Counsel

SUBJECT: **EXTENSION OF THE DUE DATE FOR THE DEPARTMENT OF PUBLIC  
HEALTH DRUG MEDI-CAL PROGRAM REVIEW (Board Agenda Item  
5, August 13, 2013)**

On August 13, 2013, your Board instructed County Counsel (Counsel) and the Auditor-Controller (A-C) to report back in 30 days with:

1. An analysis of the County's legal obligations to contract with, and provide oversight for, local Drug Medi-Cal (DMC) providers, including an analysis of the services provided and the source of the obligation, if any, to provide those services; and
2. A determination of the County's legal authority to audit and terminate contracts with local DMC providers, including an analysis of the State's obligation in these regard and a discussion of how that obligation intersects or conflicts with the County efforts.

In addition, your Board instructed the A-C to complete a program audit of the DMC Program, including a review of the recommendations for program improvement that the Department of Public Health (DPH) outlined in its July 26, 2013 memo to your Board. Your Board also instructed the A-C to include in its program audit, recommendations that would improve the program integrity of all alcohol and drug programs administered by DPH.

In September 2013, we requested an extension to October 11, 2013 to complete the legal analysis and the program audit which allowed us to expand the scope of our program audit. We recently provided DPH with a copy of our revised draft report that included the results of our expanded scope. DPH has requested additional time to review our report. We are therefore requesting a seven-day extension to allow DPH sufficient time to review the revised draft report and provide comments.

Counsel has also requested a seven-day extension to coordinate its analysis of the County's legal obligations and authority to audit the DMC service providers with our program audit. We anticipate issuing both reports to your Board by October 18, 2013.

Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301 regarding the DMC program review or Sharon Reichman at (213) 974-1866 regarding the County's DMC program legal obligations.

WLW:JFK:AB:DC

c: William T Fujioka, Chief Executive Officer  
Sachi A. Hamai, Executive Officer, Board of Supervisors  
Jonathan E. Fielding, M.D., M.P.H., Director Department of Public Health  
Public Information Office  
Audit Committee



**COUNTY OF LOS ANGELES  
DEPARTMENT OF AUDITOR-CONTROLLER**

KENNETH HAHN HALL OF ADMINISTRATION  
500 WEST TEMPLE STREET, ROOM 525  
LOS ANGELES, CALIFORNIA 90012-3873  
PHONE: (213) 974-8301 FAX: (213) 626-5427

WENDY L. WATANABE  
AUDITOR-CONTROLLER

October 18, 2013

TO: Supervisor Mark Ridley-Thomas, Chairman  
Supervisor Gloria Molina  
Supervisor Zev Yaroslavsky  
Supervisor Don Knabe  
Supervisor Michael D. Antonovich

FROM: Wendy L. Watanabe *Wendy Watanabe*  
Auditor-Controller

SUBJECT: **DEPARTMENT OF PUBLIC HEALTH – DRUG MEDI-CAL PROGRAM  
AUDIT (Board Agenda Item 5, August 13, 2013)**

On August 13, 2013, your Board instructed County Counsel (Counsel) and the Auditor-Controller (A-C) to report back in 30 days with:

1. An analysis of the County's legal obligations to contract with, and provide oversight for, local Drug Medi-Cal (DMC) providers, including an analysis of the services provided and the source of the obligation, if any, to provide those services; and
2. A determination of the County's legal authority to audit and terminate contracts with local DMC providers, including an analysis of the State's obligation in this regard and a discussion of how that obligation intersects or conflicts with the County's efforts.

In addition, your Board instructed the A-C to complete a program audit of the DMC Program, including a review of the recommendations for improvement that the Department of Public Health (DPH) noted in its July 26, 2013 memo to your Board. Your Board also instructed the A-C to include in its program audit, recommendations that would improve the integrity of all alcohol and drug programs administered by DPH.

This report covers the audit of the DMC Program and recommendations to improve the integrity of the DMC Program and other alcohol and drug programs administered by DPH, where applicable. Counsel will report separately on an analysis of the County's legal obligations to contract with, and provide oversight for, local DMC providers.

Counsel will also report on a determination of the County's legal authority to audit and terminate contracts with local DMC providers.

### **Background**

The DMC Program is a State-sponsored program that has been in existence for 34 years in Los Angeles County. The DMC Program provides substance abuse treatment services to Medi-Cal clients. Through an agreement with the State, DPH is the fiscal intermediary of the DMC Program in Los Angeles County. During Fiscal Year (FY) 2012-13, DPH's Substance Abuse Prevention and Control (SAPC) Division contracted with 147 Program providers, with 350 locations, to provide services to approximately 30,000 clients. SAPC paid the Program providers approximately \$80 million during FY 2012-13. The DMC Program is funded with 50% State realignment funds and 50% matching Medicaid federal financial participation funds.

In July 2013, the State launched an investigation of the DMC Program to try to eliminate providers with fraudulent business practices. As of September 2013, the State suspended 53 County-contracted providers. SAPC subsequently discontinued payments to the suspended providers.

### **Scope of Review**

Our review focused on evaluating four key areas of the DMC Program which can impact Program integrity and the ability to hold contractors more accountable. Specifically, we evaluated:

- The State's DMC provider certification process and oversight.
- The DMC Program claiming and disallowed billings collection process.
- DPH's oversight of the County-contracted DMC providers.
- SAPC's recommended enhancements to the DMC Program as noted in DPH SAPC's July 26, 2013 memo to your Board.

### **Results of Review**

Our review noted opportunities for the State and SAPC to strengthen existing controls and develop new ones to enhance the integrity of the DMC Program, improve program services, and hold contractors more accountable. Although the scope of our review was limited to the DMC Program, DPH should evaluate which of the recommendations noted in our report are applicable to other DPH alcohol and drug programs. Our review noted the following:

**The State needs to expand the DMC provider certification process.**

The State's current process of background checks of potential DMC providers is limited and should be expanded to include formalized background checks that require a fingerprint check against the United States Department of Justice's criminal database. The background checks should also include a component that updates the State whenever criminal activity occurs involving the individuals holding key positions within the DMC providers' operations.

**The State needs to enhance its oversight of the DMC providers.**

The State's current plan is to conduct utilization reviews of the DMC providers once every three years. The State is considering instituting a risk assessment model to adjust the frequency of its reviews but was unclear on specifically how they plan to use the model. We recommend that the risk assessment model require the State to review high-risk providers more frequently than once every three years.

**The State and SAPC need to establish a formal process to effectively communicate the results of each other's monitoring reviews and to provide updated dispositions of poorly performing DMC providers.**

The State recently suspended 53 County-contracted DMC providers which represented approximately 36% of all County-contracted DMC providers. In notifying SAPC, the State did not provide the justifications for the suspensions or the timeframe for the State to complete its investigations. SAPC and the State need to implement a formal process to share monitoring results to improve Program oversight and minimize the County's fiscal liability.

**SAPC needs to strengthen its claiming and disallowed billings collection processes.**

SAPC does not have access to information that will allow it to validate claims, prior to submission to the State, to reduce the amount of provider disallowed billings. According to SAPC, approximately \$500,000 (6%) of its monthly claims totaling \$8.2 million is denied by the State and approximately 50% of the denied claims result in disallowed billings.

SAPC also does not aggressively collect disallowed billings from terminated DMC providers. As of September 2013, SAPC's accounts receivable balance included \$6.4 million due from DMC providers that were terminated from June 2008 through July 2013. SAPC has referred \$1.7 million to the Treasurer and Tax Collector (TTC) for collection, and SAPC needs to refer the remaining \$4.7 million to TTC.



In addition, in August 2013, SAPC requested the cancellation of \$8.4 million in long-term receivables that SAPC indicated were related to DMC billings that the State retroactively denied for Minor Consent services during FYs 2006-07, 2007-08, and 2008-09. SAPC filed an appeal with the State to contest these denied claims, and DPH and Counsel are currently negotiating a settlement with the State.

**DPH needs to enhance its oversight of the DMC providers.**

The DPH staff assigned to monitor the DMC providers have the appropriate qualifications to perform the reviews. However, according to DPH management, DPH has had difficulty finding qualified staff, resulting in a high number of vacant monitoring positions which has impacted DPH's ability to achieve its targeted monitoring goals. SAPC planned to conduct program reviews of every DMC provider once a year (approximately 130 reviews per year), and DPH's Contract Monitoring Division (CMD) planned to conduct fiscal reviews of every DMC provider once every three years (approximately 45 reviews per year). During FY 2012-13, SAPC conducted 113 program reviews and CMD conducted 20 fiscal reviews.

In addition, we noted that DPH has not sufficiently documented its monitoring resolution process and protocols to report the results of its monitoring reviews. Specifically, we noted:

- SAPC needs to improve the contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.
- SAPC does not have written protocols for elevating specific monitoring results to DPH executive management and other County officials.
- SAPC needs to review provider benchmark performance more frequently than once a year in order to provide more timely technical assistance to the providers that are not achieving their targeted benchmarks.

**Additional Concerns**

The DMC Program is a complex alcohol and drug program with unique characteristics. During our audit of the DMC Program, we encountered difficulty in obtaining information timely or that was fully responsive to our requests.

Due to the limited time we had to complete our audit, we were not able to fully evaluate the causes of the delays to obtain information or the incomplete responses to our inquiries. In addition, the scope of our review was limited to a few key areas of the DMC Program. Therefore, DPH management should consider having an operational review conducted to evaluate additional areas for possible improvements.

Details of our review, along with recommendations for corrective action, are attached.

**Review of Report**

We discussed the results of our review with DPH management. DPH indicated that they will submit a response directly to your Board within 30 days. In addition, DPH has assured us that, in their response to our report to your Board, they will address the applicability of our recommendations to all alcohol and drug programs administered by DPH.

We thank DPH, Counsel, and the State for their cooperation and assistance during our review. Please call me if you have any questions, or your staff may contact Don Chadwick at (213) 253-0301.

WLW:AB:DC:EB:ku

Attachment

c: William T Fujioka, Chief Executive Officer  
Sachi A. Hamai, Executive Officer, Board of Supervisors  
Jonathan E. Fielding, M.D., M.P.H., Director, Department of Public Health  
John F. Krattli, County Counsel  
Public Information Office  
Audit Committee  
Health Deputies

**DEPARTMENT OF PUBLIC HEALTH  
DRUG MEDI-CAL PROGRAM AUDIT**

**Background**

The Drug Medi-Cal (DMC) Program is a State-sponsored program that has been in existence for 34 years in Los Angeles County. The DMC Program provides substance abuse treatment services to Medi-Cal clients. Through an agreement with the State, the Department of Public Health's (DPH) Substance Abuse Prevention and Control (SAPC) Division is the fiscal intermediary of the DMC Program in Los Angeles County. During Fiscal Year (FY) 2012-13, SAPC contracted with 147 Program providers, with 350 locations, to provide services to approximately 30,000 clients. SAPC paid the DMC providers approximately \$80 million for FY 2012-13. The DMC Program is funded with 50% State realignment funds and 50% matching Medicaid federal financial participation funds.

In July 2013, the State launched an investigation of the DMC Program to try to eliminate fraudulent providers. As of September 2013, the State suspended 53 County-contracted providers. SAPC subsequently discontinued payments to the suspended providers.

**Scope of Review**

Our review focused on evaluating four key areas of the DMC Program which can impact Program integrity and the ability to hold contractors more accountable. Specifically, we evaluated:

- The State's DMC provider certification process and oversight.
- The DMC Program claiming and disallowed billing collection process.
- DPH's oversight of the County-contracted DMC providers.
- SAPC's recommended enhancements to the DMC Program as noted in DPH SAPC's July 26, 2013 memo to your Board.

**State Certification Process**

All County-contracted DMC providers are required to be certified by the State to provide drug treatment services before they can be considered for a contract with the County. The State certification process requires the applicant to complete a four-page application that includes information such as the type of agency (e.g., not-for-profit), types of services to be provided (e.g., narcotic treatment), and a list of staff that will provide direct treatment services.

In addition, the State conducts an on-site inspection of the applicant's facility to evaluate fire safety, use permits, accessibility of services, and the physical condition of the facility. The State also reviews the applicant's policies and procedures covering topics such as program reviews, patient health records, administration, drugs, and basic services.

Once a provider is certified and requests a contract with the County, SAPC reviews additional areas to evaluate the qualifications of the potential County-contracted DMC provider. The additional areas further focus on the provider's business and medical qualification, and include the review of the provider's:

- Prior substance use disorder services. SAPC requires a minimum of four years experience, or the provider must pass additional financial tests.
- Financial reports.
- Required treatment certifications.
- Staffing levels to ensure they meet standards.

Our review of the State's DMC certification process noted opportunities for the State to enhance its certification process to improve the integrity of the DMC providers and services to the Program clients. According to the State, all names of owners, managing employees, and board members are checked against the Office of Inspector General's (OIG) List of Excluded Individuals and Entities (LEIE) as part of the certification process. SAPC should recommend to the State that it expand the DMC certification process to include background checks of all individuals holding key positions within a DMC provider's operations.

LEIE is a listing maintained by OIG of individuals or entities excluded from federally-funded health care programs. The individuals and entities were primarily excluded due to activities associated with health care program-related fraud. We recommend that the State expand background checks that require a fingerprint check against the United States Department of Justice's criminal database, and receive updates whenever criminal activity occurs involving the applicant and other organizational executives. In addition, the State should incorporate the additional checks used by SAPC, as noted above, so that the higher standards used by Los Angeles County are applied State-wide.

The State may recertify a DMC provider when one of the following occurs:

- The clinic changes ownership.
- The provider changes the scope of services such that the new services result in more restrictive or higher standards of Program services and/or increase treatment hours of clients.

- The provider has significant changes of the facility (i.e., substantial remodeling).
- The provider changes address and/or location.

The State relies on the DMC providers to self-report when one of these conditions occurs, which would trigger a recertification process. In addition, the State recently notified SAPC that it plans to recertify all DMC providers by January 2015. The State indicated that the DMC certifications do not expire and they do not have plans to add expiration dates. We believe that the State should strengthen its requirements and recertify each DMC provider on an ongoing basis.

### **Recommendation**

1. **Substance Abuse Prevention and Control management continue working with the State and recommend the State to expand its certification process to include the following:**
  - a. **Background checks of individuals holding key positions within the Drug Medi-Cal business organization.**
  - b. **Additional checks used by Substance Abuse Prevention and Control, such as work experience, financial stability, staffing levels, etc.**
  - c. **Expiration dates on the Drug Medi-Cal certifications that will require the State to recertify Drug Medi-Cal providers on an ongoing basis.**

### **State DMC Program Oversight**

The State conducts post-service post-payment utilization reviews (utilization reviews) of the DMC providers State-wide to verify documentation requirements are met, clients meet admission criteria, treatment plans exist, the providers' rendered services are in compliance with the claimed reimbursement, and there is an established basis for the recovery of disallowed billings. The State may suspend or decertify a DMC provider based on the outcome of the utilization review.

The State's current plan is to conduct utilization reviews of the DMC providers once every three years. According to the State, it is considering instituting a risk assessment model to conduct the utilization reviews, which could change the frequency of the reviews. However, the State was unclear how they plan to use the model. SAPC management should work with the State and recommend that it implements a risk assessment model to review high-risk providers more frequently than once every three years.

**Recommendation**

2. **Substance Abuse Prevention and Control management work with the State and recommend to the State that it implements a risk assessment model to review high-risk providers more frequently than once every three years.**

**State Remedies for Corrective Action**

Generally, the State may decertify a DMC provider when one of the following occurs:

- The provider sells or otherwise transfers the clinic or property of the clinic as identified on the certification.
- The provider fails to provide the State with a copy of a valid fire clearance.
- The provider surrenders the clinic certification.
- The clinic provider is a sole proprietor and the sole proprietor dies.
- The provider actually or constructively abandons the certified clinic. Constructive abandonment includes insolvency, eviction, or seizure of assets or equipment resulting in the inability to provide DMC services.

The State may also suspend or decertify a DMC provider when the State suspects fraud or when the provider billed for services for a large number of patients that did not meet medical necessity for substance use disorder treatment services. The State may also suspend certification or decertify a provider when the State determines that the provider did not provide sufficient medical oversight, treatment plans were missing or not patient-specific, or there was a lack of patient-specific progress notes and documented services.

According to SAPC, during FY 2012-13, the State suspended one County-contracted DMC provider and did not decertify any provider. From July 27, 2013 to October 9, 2013, the State suspended 53 County-contracted DMC providers. Our review noted that SAPC and the State do not always effectively communicate the results of each other's monitoring reviews. According to SAPC, the State did not follow a formal process in notifying the County of the 53 recently suspended providers, provide justification for the suspension, or provide an estimated timeline of when the State plans to provide its final dispositions of the suspended providers. According to SAPC, recently the State has been proactive in notifying the County of suspended providers, but the County is still not receiving the reasons for the suspensions. SAPC needs to receive information from the State regarding suspended providers in a timely manner, in order to improve oversight of Program integrity and minimize fiscal liability for the County.



SAPC and the State need to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing DMC providers. In addition, SAPC indicated that they usually do not follow-up to ensure that DMC providers correct the State findings. SAPC needs to ensure that deficiencies noted by the State during utilization reviews are corrected.

### **Recommendations**

#### **Substance Abuse Prevention and Control management:**

- 3. Work with the State to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing Drug Medi-Cal providers.**
- 4. Ensure that provider deficiencies noted in the State's utilization review reports, sent to the Department of Public Health, are corrected.**

### **DMC Program Claiming Process**

The County-contracted DMC providers are paid monthly based on a fee-for-service contract. At the end of the fiscal year, the County-contracted DMC providers submit a cost report which is reviewed by SAPC, and request payment for the lower of their actual costs to provide services, or the total fees earned for the number of units claimed, up to their approved budget. During FY 2012-13, SAPC paid the County-contracted DMC providers approximately \$80 million.

The State requires DPH to pay the County-contracted DMC providers before the State adjudicates the claims. As a result, DPH is responsible for collecting from the County-contracted DMC providers any disallowed billings that may occur when the State does not approve a claim.

According to SAPC, the County-contracted DMC providers submit their claims electronically to SAPC by the 10<sup>th</sup> of each month for services provided during the previous month. SAPC generally pays the County-contracted DMC providers by the 25<sup>th</sup> of the month. At the end of the month, SAPC forwards the claims, received by the County-contracted DMC providers, to the State for its review and approval. The State notifies SAPC within ten days, and SAPC notifies the DMC providers of the denied claims usually within five days.

SAPC currently does not have access to information to permit it to validate claims prior to submitting the claims to the State. According to SAPC, approximately \$500,000 (6%) of its monthly claims totaling \$8.2 million are denied by the State and approximately 50% (\$250,000) of the claims that are initially denied are revised, resubmitted, and eventually approved by the State. The remaining claims, which historically have totaled

approximately \$250,000 per month (\$3 million annually), stay denied and should be repaid by the provider. However, SAPC waits until the end of the fiscal year to collect the denied claims from the providers. SAPC should reconcile and track claims denied by the State and require the DMC providers to resubmit the corrected valid claims, or repay SAPC, within 60 days of being notified of the denied claims.

SAPC should obtain access to information to allow it to validate the monthly claims before submitting the claims to the State. This would greatly reduce the amount of provider denied claims and disallowed billings. According to SAPC, having access to the State's Medi-Cal Eligibility Data System file would allow SAPC to validate the claims prior to submission.

### **Recommendations**

#### **Substance Abuse Prevention and Control management:**

- 5. Reconcile and track claims denied by the State and require the Drug Medi-Cal providers to resubmit the corrected valid claims, or repay the Substance Abuse Prevention and Control, within 60 days of being notified of the denied claims.**
- 6. Work closely with the State and other County departments to gain access to information that will allow it to validate claims before submission to the State to minimize disallowed billings.**

### **Disallowed Billings and Collections**

SAPC records DMC denied claims as accounts receivable because it anticipates recouping the funds when the DMC providers resubmit corrected claims or when the DMC providers repay SAPC for disallowed billings. SAPC may request a cancellation of an accounts receivable when it determines the receivable is uncollectable.

On August 9, 2013, SAPC requested the cancellation of \$8.4 million in long-term receivables that SAPC indicated were related to DMC billings that the State denied for Minor Consent services during FYs 2006-07, 2007-08, and 2008-09. SAPC indicated that it did not attempt to collect the amount of the denied claims from the DMC providers since the denied claims were the result of the State retroactively changing its policy regarding Minor Consent services. Instead, SAPC filed an appeal with the State to contest these denied claims. DPH and County Counsel are currently negotiating a settlement with the State.

As of September 2013, SAPC's accounts receivable balance included \$6.4 million from DMC providers that were terminated from June 2008 to July 2013. The accounts receivable balance represents amounts owed from the terminated DMC providers that have gone uncollected. SAPC referred approximately \$1.7 million to the Treasurer and



Tax Collector (TTC) for collection. SAPC needs to refer the remaining \$4.7 million to TTC for collection.

SAPC needs to implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract and refer the providers to TTC in accordance with Section 10.2.2 of the County Fiscal Manual.

### **Recommendations**

#### **Substance Abuse Prevention and Control management:**

- 7. Refer the \$4.7 million that the terminated Drug Medi-Cal providers owe Substance Abuse Prevention and Control to the Treasurer and Tax Collector immediately.**
- 8. Implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract.**

### **DPH DMC Provider Monitoring and Staff Qualifications**

DMC program monitoring is performed by SAPC. Annual program monitoring consists of unannounced site-visits that include reviews of client charts, billings, policies, insurance coverage, staffing levels, and personnel files for documentation to support proper employment, background checks (if required), and qualifications.

DMC fiscal monitoring is performed by DPH's Contract Monitoring Division (CMD). Fiscal monitoring includes reviewing financial records for appropriate documentation and record keeping, fiscal viability, and billing substantiation. CMD samples expenditures, reconciles the provider's cost reports to its financial records, and evaluates the provider's internal controls.

According to SAPC, DMC program monitors verify background checks for provider employees that interact with minors. The contract does not require providers to obtain background checks for employees not working with minors. If the State expands its certification process to include background checks of the DMC providers that includes all key employees, SAPC should periodically contact the State for the current status of the key employees for County-contracted DMC providers. If the State does not include background checks as part of its certification process, SAPC should amend its contracts to require background checks of individuals holding key positions.

We reviewed the staff qualifications for seven DMC monitoring positions. Specifically, we reviewed the personnel files for three DMC program monitors and four fiscal monitors for documentation to support their qualifications. Program monitor positions generally require at least two years prior experience, preferably with social service programs. Fiscal monitor positions require graduation from an accredited college with a specified number of accounting units, and higher positions require prior experience.

The program and fiscal monitors had the appropriate qualifications to fulfill their job duties.

SAPC planned to conduct program reviews of every DMC provider once a year (approximately 130 reviews per year) and CMD planned to conduct fiscal reviews of every DMC provider once every three years (approximately 45 reviews per year). DPH's target frequency of monitoring reviews appears appropriate.

During FY 2012-13, SAPC conducted 113 program reviews and CMD conducted 20 fiscal reviews. Lack of staffing has impacted SAPC's ability to achieve its targeted monitoring goals. As of September 18, 2013, SAPC had 13 unfilled program monitoring positions, and CMD had five unfilled fiscal monitoring positions. DPH needs to maintain sufficient staffing to perform its planned monitoring reviews. DPH indicated that it has been working with the Department of Human Resources but has had difficulty finding qualified individuals to fill these positions.

### **Recommendations**

#### **Department of Public Health management:**

9. **Amend its contracts to require background checks for individuals holding key positions if the State does not expand its certification process to include fingerprint background checks.**
10. **Continue to work with the Department of Human Resources to find qualified individuals to fill the vacant monitoring positions in order to achieve its targeted monitoring goals.**

### **SAPC Contract Monitoring Resolution and Reporting**

SAPC should improve the contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner. SAPC has not always imposed uniform contractual remedies against poorly performing contractors or aggressively worked to collect disallowed billings identified during its monitoring reviews.

In June 2010, SAPC issued a memo to all providers stating that certain contract monitoring findings, such as pre-generated medical waivers, backdated treatment plans, and pre-dated progress notes, would result in immediate termination. In some cases, SAPC did not terminate providers as required by its June 2010 memo. SAPC indicated that they focused on technical assistance and provider support, rather than acting quickly to impose contractual remedies, such as termination of poorly performing contracts, to ensure an adequate number of providers. According to SAPC, its monitoring reviews identified only a small number of poorly performing contractors where SAPC chose to provide technical assistance in lieu of termination.

During FY 2012-13, SAPC's program monitoring reviews identified \$451,900 in questioned costs. Examples of questioned costs include fees billed for missing medical waivers, progress notes, or sign-in sheet signatures. As of October 2013, SAPC collected \$48,317 (11%) of the \$451,900 in questioned costs. According to SAPC, most of the remaining \$403,586 will be collected within six months. SAPC indicated that during FY 2011-12, its program monitoring reviews identified \$204,165 in questioned costs, of which \$124,135 (61%) has been collected.

According to SAPC, its policy is to negotiate and establish a Plan of Payment with each provider when disallowed claims are identified. However, SAPC does not always formalize the Plans of Payment by requiring signed agreements between DPH and the DMC providers that provide details of the negotiated repayment plan including timeframes for repayment and penalties for late or missing payments. SAPC needs to implement a more aggressive collection process and maintain formal signed repayment agreements between DPH and the DMC providers.

According to SAPC staff, written reports detailing the results of the monitoring review are issued to SAPC management but copies of the reports are not always sent to DPH executive management or other County officials unless requested. As a result, DPH executive management may be unaware of poorly performing DMC providers. DPH needs to establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to DPH executive management and other high-level County officials. The protocols need to include when to report poorly performing contractors in the Contractor Alert Reporting Database.

### **Recommendations**

#### **Substance Abuse Prevention and Control management:**

- 11. Improve its contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.**
- 12. Implement a more aggressive collection process to recover disallowed billings identified during its monitoring reviews.**
- 13. Ensure formalized repayment agreements are established when disallowed billings are identified during its monitoring reviews. Each formalized repayment agreement should be signed by the Department of Public Health and the Drug Medi-Cal provider, and provide details of the negotiated repayment plan, including timeframes for repayment and penalties for late or missing payments.**
- 14. Establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to the Department of Public Health executive management and other high-level County officials and when**

to place poorly performing contractors in the Contractor Alert Reporting Database.

### **SAPC DMC Provider Benchmarks**

SAPC worked with UCLA's Integrated Substance Abuse Programs to develop benchmarks to evaluate DMC provider performance. The benchmarks primarily evaluate client lengths of stay in the DMC provider's treatment programs.

SAPC uses an online system to track the performance of the DMC providers relative to the developed benchmarks. The DMC providers are required to enter data in the online system and review their performance quarterly.

If the provider does not meet one or more of the benchmarks by the end of each fiscal year, then the provider shall submit a performance improvement plan to SAPC by September 15<sup>th</sup> of the next fiscal year. In addition to providing a performance improvement plan, providers that fall below 20% on one or more of the benchmarks shall also participate in a process improvement activity that addresses the benchmark requiring improvement.

During FY 2012-13, 57 (39%) of the 147 DMC providers did not meet one or more of SAPC's targeted benchmarks. In addition, 40 of the 57 providers fell below 20% on one or more of the benchmarks. SAPC did not always ensure that the under-performing DMC providers submitted performance improvement plans timely. Specifically, SAPC indicated that the 57 providers did not submit their performance improvement plans for FY 2012-13 by September 15, 2013 as required. According to SAPC, the performance improvement plans will be submitted within the next couple of months.

In addition, SAPC indicated that it only evaluates DMC provider performance outcomes from the online system once a year during the program monitoring reviews even though contractors are responsible for meeting performance benchmarks quarterly. SAPC needs to review provider performance from the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.

### **Recommendations**

#### **Substance Abuse Prevention and Control management:**

- 15. Ensure that performance improvement plans are submitted and evaluated timely.**
- 16. Review provider performance reported on the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.**

**SAPC-Recommended Program Enhancements**

In its July 26, 2013 memo to your Board, DPH outlined a number of concerns about the structure and operation of the DMC Program. We evaluated the following five SAPC-recommended enhancements intended to improve the integrity of the DMC Program and hold providers more accountable:

1. Review the feasibility of limiting Minor Consent services, which are State-funded.
2. Pursue revisions to California Code of Regulations Title 22, Section 51341.1 (h)(1) [Admission criteria and procedures], to only allow the use of waivers if the beneficiary's most recent documented physical examination was completed within one year of the assessment.
3. Clearly define "medical necessity" in admitting or qualifying individuals eligible for DMC services.
4. Limit the number of clients in a group session for Day Care Habilitative services.
5. Require that an assessment using a reliable and validated assessment tool be completed within 14 days of intake.

Based on interviews with DPH management and documentation provided by SAPC staff, we agree that SAPC's five recommendations will enhance the integrity of the DMC Program and improve services to its clients.

**Recommendation**

17. **Substance Abuse Prevention and Control management continuing working with the State to implement the recommended enhancements to the Drug Medi-Cal Program.**

**Additional Concerns**

The DMC Program is a complex alcohol and drug program with unique characteristics. During our audit of the DMC Program, we encountered difficulty in obtaining information timely or that was fully responsive to our requests. In several instances, it appeared the delays may be related to records maintained by DPH that were not sufficiently organized or complete. For example, SAPC and CMD had difficulty providing the number of program and fiscal monitoring reviews of DMC providers that were conducted last year. We eventually obtained the numbers after several follow-up inquiries.

Due to the limited time we had to complete our audit, we were not able to fully evaluate the causes of the delays to obtain information, or the incomplete responses to our inquiries. In addition, the scope of our review was limited to a few key areas of the

DMC Program. Therefore, DPH management should consider having an operational review conducted to evaluate additional areas for possible improvements.

**Recommendation**

- 18. Department of Public Health management consider having an operational review conducted to evaluate additional areas for possible improvements.**





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November 19, 2013

TO: Each Supervisor

FROM: Jonathan E. Fielding, M.D., M.P.H. *JEF*  
Director and Health Officer

SUBJECT: **RESPONSE TO AUDITOR-CONTROLLER AUDIT ON DRUG MEDI-CAL PROGRAM**

This is to provide you with the Department of Public Health's (DPH) response to the Auditor-Controller's (A-C) audit recommendations for the Drug Medi-Cal (DMC) program. On August 13, 2013, your Board instructed A-C to complete a program audit of the DMC program and to review the recommendations that DPH noted in its July 26, 2013 memo to your Board. The A-C provided its report and recommendations to your Board on October 18, 2013.

DPH's response to the A-C's audit recommendations is provided in Attachment 1. The response details the DPH Substance Abuse Prevention and Control (SAPC) program's implementation activities and time lines for recommended actions. SAPC continues to collaborate with the State Department of Health Care Services on recommended activities that pertain to Statewide issues in the DMC program such as DMC provider certification, risk assessment models for "high risk" providers, and access to State DMC claims data. The report also discusses DPH and SAPC internal actions to improve SAPC's operations, including an operational review by DPH, SAPC's development and implementation of a severity index tool for contract monitoring, improved claims processing and contract monitoring resolution procedures, improved collection processes targeting non-compliant providers, provider background checks, and filling vacant SAPC positions.

Attachment 2 provides DPH's preliminary analysis of how the A-C's recommendations to strengthen the DMC program can be applied to other SAPC substance use disorder treatment programs.

If you have any question or would like additional information, please let me know.

JEF:goh  
1310:006

Attachments

c: Chief Executive Officer  
County Counsel  
Executive Officer, Board of Supervisors

**LOS ANGELES COUNTY DEPARTMENT OF PUBLIC HEALTH RESPONSE TO  
AUDITOR-CONTROLLER DRUG MEDI-CAL PROGRAM AUDIT**

**STATE CERTIFICATION PROCESS**

**RECOMMENDATION 1:**

Substance Abuse Prevention and Control (SAPC) management continue working with the State and recommend to the State to expand its certification process to include the following:

- a. Background checks of individuals holding key positions within the Drug Medi-Cal (DMC) business organization.
- b. Additional checks used by SAPC, such as work experience, financial stability, staffing levels, etc.
- c. Expiration dates on DMC certifications that will require the State to recertify DMC providers on an ongoing basis.

**DPH Response to Recommendation 1: Agree**

On October 7, 2013, SAPC made the following recommendations via email to the California Department of Health Care Services (DHCS) to strengthen the DMC certification process:

- a. Require Live Scan background checks be conducted for the following individuals listed by the applicant organization as part of the Medi-Cal Disclosure Statement: officers of the boards of directors, program directors, managing employees, and persons holding five percent or more of ownership or controlling interest and partnership interest in the organization.
- b. Include as certification criteria organizational financial viability and demonstrated work experience of key organizational personnel.
- c. Include a role for County input in the certification review process. SAPC expressed its concern that, despite its ongoing cooperation with DHCS on monitoring DMC programs, DHCS did not include County input in preparing a recently released revised DMC application package.

In addition SAPC has identified other areas that can strengthen the DMC certification process:

- a. Reduce the reenrollment period for DMC certification to every two years, which would provide stronger oversight that SAPC feels is necessary for DMC providers. Currently, DMC certifications have no expiration date. On October 22, 2013, DHCS informed SAPC verbally that it would impose a five-year reenrollment period to be



consistent with the Affordable Care Act reenrollment requirement. SAPC awaits official notice of that change, and will continue to press for more frequent certifications.

- b. Adopt additional checks used by SAPC to determine organizational qualifications which include the review of the provider's:
- Prior experience in providing substance use disorder (SUD) services. SAPC requires a minimum of four years of experience or the provider must pass additional financial tests.
  - Financial reports.
  - State certification or license as a SUD treatment program.
  - Sufficient staffing levels to ensure compliance with accepted standards of care.

SAPC will meet with DHCS in December 2013 to discuss the recommendations listed above and to identify further actions for strengthening the DMC certification process, including consideration of a 1915(b)(4) waiver for a defined county authority to conduct DMC certification, and selective contracting including funding for administrative oversight.

SAPC also participated in a DHCS webinar on November 15, 2013 that provided training on county responsibilities for DMC certification.

## STATE DMC PROGRAM OVERSIGHT

### **RECOMMENDATION 2:**

Substance Abuse Prevention and Control management work with the State and recommend to the State that it implement a risk assessment model to review high-risk providers more frequently than once every three years.

#### **DPH Response to Recommendation 2: Agree**

On October 1, 2013, SAPC program monitors began field testing a severity index tool designed to assess three types of deficiencies: 1) administrative/facility, 2) documentation, and 3) medical necessity. The use of this tool is further described in DPH's response to Recommendation 11.

When SAPC meets with DHCS in December 2013, it will seek clarification on State progress to implement a risk assessment model for monitoring of providers. SAPC will also discuss with DHCS the feasibility of incorporating components of the severity index tool into the DHCS risk assessment process. Additionally, SAPC will initiate discussions with DHCS on conducting more frequent monitoring and on developing a shared web-based system to facilitate identification of high-risk providers.

## STATE REMEDIES FOR CORRECTIVE ACTION

### **RECOMMENDATION 3:**

Substance Abuse Prevention and Control management:

Work with the State to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing Drug Medi-Cal providers.

**DPH Response to Recommendation 3: Agree**

SAPC and DHCS have clarified the lists of people in both offices that should receive results of program monitoring and other provider information. The director of SAPC's Contract Services Division will be the lead in communications with the State.

By November 30, 2013, SAPC will develop policies and procedures for effectively communicating the results of SAPC's monitoring reviews, dispositions of poorly performing DMC providers, and other concerns to DHCS. Once approved, these policies and procedures will be shared with DHCS.

SAPC is designing a web-based system in which information received from County program monitoring and fiscal audits, DHCS utilization and fiscal audits, and other audits required by the federal government will be integrated. Targeted for completion by July 31, 2014, the comprehensive system will, among other benefits, provide contract program auditors with a tool for identifying SAPC, DPH Contract Monitoring Division (DPH-CMD), State, and federal audit issues, tracking submission and review of corrective action plans (CAPs), ensuring CAPs are implemented, and identifying any recurring deficiencies.

**RECOMMENDATION 4:**

Substance Abuse Prevention and Control management:

Ensure that provider deficiencies noted in the State's utilization review reports, sent to the Department of Public Health, are corrected.

**DPH Response to Recommendation 4: Agree**

As of September 20, 2013, SAPC had established an internal manual system whereby audit reports from DHCS and DPH-CMD are stored in a computer network accessible to appropriate SAPC managers and staff. By November 30, 2013, SAPC will complete policies and procedures to ensure that provider deficiencies noted in the State's utilization review reports sent to DPH are tracked and corrected in a timely manner. Subsequently all contract program auditors will be trained in the new policies and procedures.

DPH will utilize the web-based system described under Recommendation 3 to ensure that provider deficiencies noted in the State's utilization review reports, sent to DPH, are corrected in a timely manner.

**DMC PROGRAM CLAIMING PROCESS**

## **RECOMMENDATION 5:**

Substance Abuse Prevention and Control management:

Reconcile and track claims denied by the State and require the Drug Medi-Cal providers to resubmit the corrected valid claims, or repay the Substance Abuse Prevention and Control, within 60 days of being notified of the denied claims.

### **DPH Response to Recommendation 5: Agree**

By January, 2014, SAPC will establish a claim resubmission tracking system to identify denied claims and related resubmission status. The system will provide timely notice to SAPC Finance and impacted providers of denied claims. It will also allow SAPC to seek repayment for the denied claims in a timely manner.

## **RECOMMENDATION 6:**

Substance Abuse Prevention and Control management:

Work closely with the State and other County departments to gain access to information that will allow it to validate claims before submission to the State to minimize disallowed billings.

### **DPH Response to Recommendation 6: Agree**

On November 15, 2013, SAPC management requested that DHCS provide SAPC with direct access to the State Medi-Cal Eligible Data System (MEDS) file. The Los Angeles County Department of Mental Health (DMH) currently has access to the file, and SAPC will also work with Counsel on the feasibility of using the MEDS file through DMH. Access to MEDS would enable SAPC to validate claims prior to submission to the State and thereby reduce the amount of disallowed billings.

## **DISALLOWED BILLINGS AND COLLECTIONS**

## **RECOMMENDATION 7:**

Substance Abuse Prevention and Control management:

Refer the \$4.7 million that the terminated Drug Medi-Cal providers owe Substance Abuse Prevention and Control to the Treasurer and Tax Collector immediately.

### **DPH Response to Recommendation 7: Agree**

On October 18, 2013, SAPC referred the \$4.7 million owed by terminated DMC agencies to the Treasurer and Tax Collector.

## **RECOMMENDATION 8:**

Substance Abuse Prevention and Control management:

Implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract.

**DPH Response to Recommendation 8: Agree**

SAPC is now referring all delinquent accounts to the Treasurer and Tax Collector in accordance with Section 10.2.2 of the County Fiscal Manual.

**DPH DMC PROVIDER MONITORING AND STAFF QUALIFICATIONS**

**RECOMMENDATION 9:**

Department of Public Health management:

Amend its contracts to require background checks for individuals holding key positions if the State does not expand its certification process to include fingerprint background checks.

**DPH Response to Recommendation 9: Agree**

SAPC will follow up with DHCS about whether or not it will require individuals holding key positions to submit to a Live Scan background check during SAPC's upcoming December 2013 meeting with DHCS, and will request that a Statewide Bulletin be issued by DHCS by February 14, 2014.

If DHCS does not require a Live Scan of key provider personnel by that time, by March 1, 2014, SAPC will amend its contracts that will take effect on July 1, 2014, to require Live Scan background checks and subsequent notification by the provider to SAPC on clearance for individuals holding key positions. SAPC will also develop criteria on what types of convictions, including those outlined in the Medi-Cal Disclosure Statement, would disqualify the individual from involvement in DMC contracts.

**RECOMMENDATION 10:**

Department of Public Health management:

Continue to work with the Department of Human Resources to find qualified individuals to fill the vacant monitoring positions in order to achieve its targeted monitoring goals.

**DPH Response to Recommendation 10: Agree**

As of November 14, 2013, there were 42 vacancies in the following personnel classifications: accounting, clerical, information systems, research analyst, and contract monitoring. The most challenging items to fill are the contract program auditor positions because candidates often do not have knowledge and experience in the field of substance use disorders.

SAPC has worked diligently to fill the contract program auditor positions and has taken the following steps:

- Implemented select certification of the list based on desirable qualifications for SAPC to ensure a more appropriate pool of candidates
- Sent out the job bulletin to local, statewide and national networks involved in substance use disorder treatment and prevention work as well as to local universities and colleges.
- Implemented a bi-weekly progress report to share with DPH Executive staff on recruitment and hiring activities.

SAPC anticipates filling most of the vacant monitoring items by June 30, 2014 and monitoring all provider contracts in FY 2014-15.

## SAPC CONTRACT MONITORING RESOLUTION AND REPORTING

### **RECOMMENDATION 11:**

Substance Abuse Prevention and Control management:

Improve its contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.

### **DPH Response to Recommendation 11: Agree**

SAPC contract program auditors currently conduct unannounced on-site visits to assure DMC providers' compliance with County contract requirements and State laws, specifically Title 22 of the California Code of Regulations. Contract program auditors evaluate service delivery and administration through the use of monitoring tools, and any deficiencies in compliance are identified through the course of the program monitoring.

On October 1, 2013, SAPC contract program auditors began field testing a severity index tool designed to assess the severity of three types of deficiencies:

1) administrative/facility; 2) documentation; and 3) medical necessity. The tool is completed during routine program monitoring. Points for each deficiency are assigned based on the potential risk to the patient, likelihood of fraud, or significant management deficiencies. Depending on the total deficiency score, SAPC will take any of the following actions: 1) require the contractor to address the issue in a corrective action plan; 2) suspend payment until the issues are resolved; 3) suspend the contract; or 4) terminate the contract. Use of the tool and pre-determined actions based on the overall score will ensure that all monitoring results are resolved in a uniform manner.

By April 1, 2014, SAPC will finalize the severity index tool and incorporate any necessary changes that resulted from the six-month field testing. Part of the refinement of this tool will be research into tools used by DHCS, other jurisdictions, and other County offices to assess severity of contractor deficiencies.

By July 1, 2014, SAPC will implement an automated contract and program monitoring system intended to strengthen the monitoring process by:

- Automating the tool for determining the severity of deficiencies;

- Providing contract program auditor access to a web-based monitoring application using portable devices;
- Linking the web-based monitoring system to SAPC's contract, client tracking, and services reimbursement system;
- Automating writing of the monitoring report;
- Automating the submission and approval of monitoring reports; and
- Automating tracking of corrective action plans.

Both the utilization of the severity index and the automation of the program monitoring report process will facilitate tracking the program monitoring results to ensure they are resolved in a uniform manner.

#### **RECOMMENDATION 12:**

Substance Abuse Prevention and Control management:

Implement a more aggressive collection process to recover disallowed billings identified during its monitoring reviews.

#### **RECOMMENDATION 13:**

Substance Abuse Prevention and Control management:

Ensure formalized repayment agreements are established when disallowed billings are identified during its monitoring reviews. Each formalized repayment agreement should be signed by the Department of Public Health and the Drug Medi-Cal provider, and provide details of the negotiated repayment plan, including timeframes for repayment and penalties for late or missing payments.

#### **DPH Response to Recommendations 12 & 13: Agree**

Within 30 calendar days of receiving notification about audit disallowances, SAPC will establish written repayment plans with providers to recover disallowed billings. These repayment plans will detail the amounts, timeframes, and penalties for late or missed payments.

By July 1, 2014, SAPC will change provider contracts to require providers to sign a formal repayment agreement with SAPC when disallowed billings are identified during State or County monitoring reviews.

#### **RECOMMENDATION 14:**

Substance Abuse Prevention and Control management:

Establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to the Department of Public Health executive management and other high-level County officials and when to place poorly performing contractors in the Contractor Alert Reporting Database.

#### **DPH Response to Recommendation 14: Agree**

As described under the response to Recommendation 11, SAPC has developed and implemented a severity index tool designed to assess the severity of provider deficiencies. Based on the total deficiency score, SAPC will take any of the following actions: 1) require the contractor to address the issue in a corrective action plan; 2) suspend payment until the issues are resolved; 3) suspend the contract; or 4) terminate the contract. By April 30, 2014, SAPC will revise its monitoring policies and procedures to incorporate use of a severity index, the decision protocols that clearly determine when to elevate the results of its monitoring reviews to the DPH executive management and other high-level County officials, the existing process to place poorly performing contractors in the Contractor Alert Reporting Database, and other guidelines needed by contract program monitors in executing their duties and responsibilities.

#### **SAPC DMC PROVIDER BENCHMARKS**

##### **RECOMMENDATION 15:**

Substance Abuse Prevention and Control management:

Ensure that performance improvement plans are submitted and evaluated timely.

#### **DPH Response to Recommendation 15: Agree**

SAPC contracts currently require contractors to submit performance improvement plans for the prior fiscal year by September 15 of the next fiscal year. SAPC will ensure that performance improvement plans are submitted and evaluated timely by sending a reminder to the providers not meeting the established performance benchmarks 15 days before the improvement plans are due.

By April 30, 2014, SAPC will revise its monitoring protocols to incorporate a requirement for contract program monitors to ensure that performance improvement plans are received by the established deadline from providers not meeting the established SAPC benchmarks. SAPC will withhold payments for those providers who do not submit an acceptable performance improvement plan in a timely manner.

##### **RECOMMENDATION 16:**

Review provider performance reported on the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.

#### **DPH Response to Recommendation 16: Agree**

SAPC will immediately implement review of provider performance on a quarterly rather than annual basis to monitor progress in achievement of targeted benchmarks. Concurrently, SAPC will, with the assistance of the Integrated Substance Abuse Programs at the University of California, Los Angeles (UCLA ISAP), conduct a review of providers' performance in meeting benchmark measures to identify those needing

technical assistance. SAPC and UCLA ISAP will complete the review by January 31, 2014, and, by March 1, 2014, will implement a provider performance improvement plan to ensure providers performing below benchmark standards raise their performance and are held accountable for complying with contract requirements on performance standards.

#### SAPC-RECOMMENDED PROGRAM ENHANCEMENTS

##### **RECOMMENDATION 17:**

Substance Abuse Prevention and Control management continue working with the State to implement the recommended enhancements to the Drug Medi-Cal Program.

##### **DPH Response to Recommendation 17: Agree**

As described above, SAPC management has initiated actions to strengthen its communication with DHCS on monitoring performance of DMC providers and other State-certified or –licensed SUD treatment providers, and has identified additional actions needed to follow up on recommendations it has made to DHCS for further improvements.

In addition to actions being taken to address Recommendations 1 and 6, SAPC is working with DHCS to identify trends and indicators that establish patterns of business practices that can confirm fraud and/or other inappropriate provider practices. To improve communication between DHCS and SAPC, SAPC staff participates regularly as a member of the DHCS investigation team. The team performs data analytics and uses other data gathering tools to identify indicators of potential fraud.

#### ADDITIONAL CONCERNS

##### **RECOMMENDATION 18:**

Department of Public Health management considers having an operational review conducted to evaluate additional areas for possible improvements.

##### **DPH Response to Recommendation 18: Agree**

The DPH Audit and Investigation Division initiated an operational review as recommended. The review will assess the effectiveness of SAPC's quality control processes to ensure information released is accurate, responsive, and consistent throughout the program. Additionally, the review will evaluate SAPC's record keeping processes for tracking correspondence including State monitoring reports, and evaluate whether those processes ensure information is distributed timely to the appropriate sections of SAPC. The review is estimated to be completed by February 2014.



Applicability of Auditor-Controller's Drug Medi-Cal Audit Recommendations to  
Non-Drug Medi-Cal Substance Use Disorder Treatment Programs

The eighteen recommendations in the Auditor-Controller's October 18, 2013 audit report to your Board on the Drug Medi-Cal (DMC) program were reviewed by DPH for applicability to the non-DMC substance use disorder (SUD) programs administered by the DPH Substance Abuse Prevention and Control program (SAPC). The following table provides the results of that review.

Non-DMC SAPC SUD Treatment Programs Included in the Review

- AB 109
- Adolescent Intervention, Treatment, and Recovery Programs (AITRP)
- AITRP Title IV-E Capped Allocation Demonstration Project
- California Work Opportunity and Responsibility to Kids
- Department of Children and Family Services Family Reunification
- Drug Courts
- Female Offender Program
- First 5 Program
- General Program Services
- General Relief
- HIV
- Juvenile Probation Camp Services
- Methamphetamine Services
- Perinatal
- Parolee Services Network
- Reentry Programs
- Residential Detox
- Women and Children's Residential Treatment Program

Applicability of Auditor-Controller's Recommendations to Non-Drug Medi-Cal Substance Use Disorder Treatment Programs		
Number	Recommendation	Applicability of Recommendations to Non-DMC SUD Treatment Programs
1a	Background checks of individuals holding key positions within the DMC business organization.	SAPC is working internally and with County Counsel to determine ways that background checks or organizational qualifications can be strengthened for other SAPC programs.
1b	Additional checks used by SAPC, such as work experience, financial stability, staffing levels, etc.	As part of its solicitation process, SAPC uses additional checks to determine organizational qualifications, including prior experience in providing treatment services, financial reports, and sufficient staffing levels.
1c	Expiration dates on the DMC certifications that will require the State to recertify DMC providers on an ongoing basis.	Not applicable. However, SAPC does require State certification or licensing, as applicable, for all SUD treatment programs.
2	Work with the State to implement a risk assessment model to review high-risk providers more frequently than once every three years.	While this recommendation is specific to DMC, SAPC will consider piloting or modifying the severity index to be used with other SUD programs.
3	Work with the State to establish a formal process to more effectively communicate the results of each other's monitoring reviews and to provide each other with updated dispositions of poorly performing DMC providers.	While this recommendation is specific to DMC, DPH and SAPC are actively seeking methods to develop more effective communication with the State across all of our programs.
4	Ensure that provider deficiencies noted in the State's utilization review reports, sent to DPH, are corrected.	Not applicable. California Department of Health Care Services does not conduct separate provider monitoring visits for other State funded programs.
5	Reconcile and track claims denied by the State and require DMC providers to resubmit the corrected valid claims, or repay SAPC, within 60 days of being notified of the denied claims.	Not applicable. However, SAPC does closely monitor expenditures for potentially problematic utilization patterns or trends, determines if problems exist, and initiates corrective action.
6	Work closely with the State and other County departments to gain access to information that will allow it to validate claims before submission to the State to minimize disallowed billings.	Not applicable.

7	Refer the \$4.7 million that the terminated DMC providers owe SAPC to the Treasurer and Tax Collector immediately.	Not applicable.
8	Implement a more aggressive collection process to collect disallowed billings from providers that no longer have a County contract.	To limit the County's fiscal liability, SAPC has implemented an aggressive collection process that will be used with all contracted treatment providers whose contracts have been suspended or terminated.
9	Amend its contracts to require background checks for individuals holding key positions if the State does not expand its certification process to include fingerprint background checks.	In providing high-quality treatment services, DPH and SAPC will work with the State to ensure that providers submit to and pass thorough background checks. In addition to amending DMC contracts, SAPC will amend contracts with treatment providers who serve youth.
10	Continue to work with the Department of Human Resources to find qualified individuals to fill the vacant monitoring positions in order to achieve its targeted monitoring goals.	DPH and SAPC are committed to filling all open positions with highly qualified individuals who have the knowledge and experience to assist SAPC in reaching our strategic goals.
11	Improve its contract monitoring resolution process to ensure all monitoring results are resolved in a uniform manner.	SAPC's contract monitoring process will be strengthened with the implementation of a severity index to assess the severity of provider deficiencies and the implementation of an automated monitoring system.
12	Implement a more aggressive collection process to recover disallowed billings identified during its monitoring reviews.	To limit the County's fiscal liability, SAPC is amending all contracts to require providers to sign a formal repayment agreement when disallowed billings are identified during monitoring reviews.
13	Ensure formalized repayment agreements are established when disallowed billings are identified during its monitoring reviews.	
14	Establish decision protocols to clearly determine when to elevate the results of its monitoring reviews to DPH executive management and other high-level County officials and when to place poorly performing contractors in the Contractor Alert Reporting Database.	By April 2014, SAPC will implement decision protocols that will increase communication with high-level County officials on areas of concern and include processes for placing providers on the Contractor Alert Reporting Database.
15	Ensure that performance improvement plans are submitted and evaluated timely.	Performance improvement plans are required of all treatment providers. SAPC is revising contracts and monitoring protocols to ensure that these plans are received and evaluated in a timely manner.

16	Review provider performance reported on the online system quarterly in order to provide more timely technical support to providers that are not achieving their targeted benchmarks.	SAPC will review provider performance on a quarterly basis and provide technical assistance as appropriate.
17	SAPC management continues working with the State to implement the recommended enhancements to the DMC Program.	Not applicable
18	Department of Public Health management considers having an operational review conducted to evaluate additional areas for possible improvements.	DPH has initiated an operational review to evaluate SAPC's organization and recommend areas for possible improvement.